

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39 M), a California corporation, and Starlink Logistics, Inc., a Delaware corporation, for an Order Authorizing the Sale and Conveyance of a Certain Parcel of Land in San Mateo County Pursuant to the Public Utilities Code Section 851.

Application 03-05-038
(Filed May 29, 2003)

**ADMINISTRATIVE LAW JUDGE'S RULING
REQUIRING APPLICANTS TO PROVIDE ADDITIONAL INFORMATION AND
DIRECTING THE PREPARATION OF BRIEFS
ON THE PROPER ACCOUNTING TREATMENT OF GAIN ON SALE**

This ruling directs Pacific Gas and Electric Company (PG&E) and Starlink Logistics, Inc. (Starlink) (collectively, the Applicants) to provide additional information in support of their joint application (the Application) for authority to sell and convey a certain parcel of land in San Mateo County from PG&E to Starlink. This ruling also directs PG&E and the Commission's Office of Ratepayer Advocates (ORA) to brief the question of the proper accounting treatment of gain on sale to be realized by PG&E in connection with this transaction.

If the Application is approved a portion (Sale Portion) of the site on which PG&E's Cooley Landing Substation and adjacent pole yard are currently located (Site) would be sold to Starlink. The Sale Portion lies outside the perimeter of the substation and the pole yard. It is being sold to Starlink as part of a program of contamination abatement ordered by the Regional Water Quality Control Board (RWQCB). The RWQCB has determined that prior to PG&E's acquisition of the Site approximately 50 years ago, it was owned by a corporate predecessor of

Starlink, Industrial operations conducted adjacent to the Site prior to its sale to PG&E generated runoff that contaminated the Site with arsenic, which Starlink now proposes to remove in compliance with the RWQCB order.

On July 2, 2003, ORA protested the Application. The basis of the ORA protest was disagreement with the proposed accounting treatment of approximately \$53,000 of after-tax gain on sale that PG&E expects to realize from the transaction. In the Application, PG&E proposed to treat the gain on sale as accruing in its entirety to PG&E shareholders. PG&E proposed this accounting treatment based on its belief that accounting rules of the Federal Energy Regulatory Commission (FERC) govern the transaction and that under applicable FERC rules, gain on sale should be allocated to the shareholders. ORA disputes this conclusion, asserts that Commission rules regarding accounting treatment of gain on sale govern the transaction and that under those rules, gain on sale should be allocated in its entirety to the ratepayers.

IT IS RULED that:

1. The Applicants shall supplement the Application with information regarding the extent of arsenic contamination, if any, on the portion of the Site that will remain PG&E property following transfer of the Sale Portion to Starlink.
2. PG&E and ORA shall brief, with appropriate points and authorities, the following issues:
 - a. Which body of law governs the accounting treatment of gain on sale?
 - b. Under the applicable body of law, how should gain on sale be treated?
3. This ruling is effective immediately.

Dated July 8, 2003, at San Francisco, California.

/s/ KARL J. BEMESDERFER
Karl J. Bemesderfer

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Requiring Applicants to Provide Additional Information and Directing the Preparation of Briefs on the Proper Accounting Treatment of Gain on Sale on all parties of record in this proceeding or their attorneys of record.

Dated July 8, 2003, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.